

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

THE APPLICATION OF THE SOUTHERN OHIO )  
TELEPHONE COMPANY FOR THE ISSUANCE OF )  
A CERTIFICATE OF PUBLIC CONVENIENCE AND )  
NECESSITY TO PROVIDE A NEW DOMESTIC )  
PUBLIC CELLULAR RADIO TELECOMMUNICATIONS )  
SERVICE TO THE PUBLIC IN THE GREATER ) CASE NO. 9462  
CINCINNATI METROPOLITAN AREA INCLUDING )  
ALL OR PARTS OF BUTLER, CLERMONT, HAMILTON )  
AND WARREN COUNTIES IN OHIO, BOONE, CAMP- )  
BELL, GALLATIN, GRANT, KENTON, OHIO, AND )  
PENDLETON COUNTIES IN KENTUCKY AND DEAR- )  
BORN, FRANKLIN AND SWITZERLAND COUNTIES IN )  
INDIANA )

O R D E R

On November 19, 1985, Southern Ohio Telephone Company ("SOTCO"), filed its application with the Kentucky Public Service Commission ("Commission") for a certificate of public convenience and necessity to provide cellular mobile telephone service to the Cincinnati, Ohio, Metropolitan Statistical Area ("MSA"). In a telephone conversation between Commission staff and SOTCO's representative on December 16, 1985, the staff inquired about the inclusion of Ohio County, Kentucky, into the proposed service area of the applicant. In that conversation, SOTCO stated that the inclusion of Ohio County, Kentucky, was an error and should be deleted. On December 18, 1985, the Commission staff was contacted by SOTCO's representative and informed that the proposed area to be served by SOTCO should encompass the areas of Boone, Kenton,

Pendleton, and Campbell counties in Kentucky. On November 22, 1985, a letter was sent to SOTCO identifying certain filing deficiencies. Also on November 22, 1985, letters were sent to those businesses with which the applicant's proposed service might compete. SOTCO's response to the deficiency letter was received on December 2, 1985. The Commission did not receive response from any competitors.

SOTCO is an Ohio general partnership comprised of six general partners: Cellular Communications of Cincinnati, Inc. (51.2%), Cellular Mobile Systems of Ohio, Inc. (10%), Maxcel Telecom Plus of Cincinnati, Inc. (2.99%), Metro Mobile CTS of Cincinnati, Inc. (8.03%), Miami Valley Radiotelephone of Dayton, Inc. (19.6%), and Midwest Mobilephone of Cincinnati, Inc. (8.19%).

In its application for a certificate of public convenience and necessity, SOTCO proposed to establish a new cellular radio telephone system operating on frequency block A providing domestic public cellular radio telephone communications service to the Cincinnati, Ohio, MSA and vicinity.

The "need" for the applicant's service has been established by the Federal Communications Commission's ("FCC") finding in the matter of cellular radio telecommunications service on a national level. Therefore the primary issues for the Commission to decide in this case are whether the applicant is financially and technically capable of providing the service.

As a part of its application, SOTCO provided a copy of the construction permit granted by the FCC on April 10, 1985, for the

construction of nine cell sites in the Cincinnati area -- six in Ohio, one in Indiana, and two in Kentucky (Applicant's Exhibit C).

In its response to the Commission's November 22, 1985, deficiency letter SOTCO submitted lease information for one of three cell sites in Kentucky. In the original application SOTCO proposed only two cell sites in Kentucky. This matter was discussed between Commission staff and SOTCO's representative during the December 16, 1985, telephone inquiry. The company stated that a third cell site will be needed in Kentucky to provide the proposed service.

As stated in Exhibit I of SOTCO's application, members of the partnership have had previous experience in operating cellular systems. This fact, along with the additional support to be received from the equipment vendor, establishes SOTCO's technical credentials for its Cincinnati area operations.

As to SOTCO's financial stability, the Commission notes that in its application SOTCO filed a proposed financing plan but did not seek approval of financing from the Commission. However, on December 10, 1985, SOTCO filed a motion for expedited ruling and in its motion requested Commission approval of the financing plan.

SOTCO proposed to finance its expansion project through a series of three loans referred to as: (1) The Working Capital Loan in the amount of up to \$4,900,000, (2) the RF Loan in the amount of up to \$2,500,000 and (3) the Equipment Loan of up to \$13,000,000. The Working Capital Loan and the RF Loan will be at an interest rate of prime plus 1% for a total 10-year term. The

Equipment Loan will also carry an interest rate of prime plus 1% with monthly payments of principal and interest deferred until a date which is 3 years after the date of the earlier of the first Equipment Loan or the First Working Capital Loan takedown; with principal and interest to be paid in equal monthly installments after the third year over the next 7 years. This financing shall be subject to all other terms and conditions set forth in Exhibits G-1 and G-2 of this filing.

The Commission having considered the evidence of record finds that:

1. SOTCO is technically capable to operate and provide the proposed cellular telecommunications system.

2. The National Association of Regulatory Utility Commissioners ("NARUC") has agreed upon a Uniform System of Accounts ("USoA") for Cellular Communications Licensees. The Commission will be initiating an Administrative Case to solicit comments and adopt NARUC's USoA and Annual Report form. The Commission is of the opinion that SOTCO should maintain accounts of its cellular operations separate from any other business affiliate and in such manner as the revenues and expenses for cellular operations in Kentucky can be readily identifiable. Within 30 days of the date of this Order SOTCO should file its chart of accounts which it will maintain until such time as this Commission prescribes a USoA for Cellular Radio Telecommunications Service. Subsequent to the adoption of a Uniform System of Accounts this Commission will issue its reporting requirements for

SOTCO and for all other Cellular Communications Licensees under its jurisdiction.

3. The rates contained in SOTCO's tariff are the minimum rates which may be charged. The rates expected to be charged currently are shown in a wholesale price list filed with the tariff. Since these are the highest charges proposed in the tariff, the Commission will permit these rates and consider them the maximum rates to be charged. A new pricing list is to be filed with the Commission showing any change in the rates and charges, at or below the maximum, not less than 20 days prior to the effective date of such change.

4. The rates proposed by SOTCO are fair, just and reasonable and should be approved.

IT IS THEREFORE ORDERED that: SOTCO be and it hereby is granted a certificate of public convenience and necessity to provide cellular telecommunications service to the Kentucky portion of the Cincinnati, Ohio, MSA to include all or parts of Boone, Campbell, Kenton, and Pendleton counties in Kentucky.

2. That SOTCO shall file, as soon as it is available, the lease or purchase agreements for all system cell sites in Kentucky, that have not been previously filed.

3. SOTCO's financing plan consisting of a series of three loans totaling up to, but not exceeding \$20,400,000 at an interest rate of prime plus 1% be and it hereby is approved.

4. That within 30 days of the date of this Order SOTCO shall file its chart of accounts which it will maintain for

Kentucky operations until such time as this Commission prescribes a USOA for Cellular Radio Telecommunications Service.


5. That the rates contained in the revised tariff and the pricing list be and they hereby are approved for services rendered on and after the date of this Order.


6. That within 30 days of the date of this Order, SOTCO shall file its revised tariff sheets setting out the rates and charges approved herein and the rules and regulations governing the provision of service.

Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the Commonwealth of Kentucky or any agency thereof as to the financing authorized herein.

Done at Frankfort, Kentucky, this 9th day of January, 1986.

PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

  
Commissioner

ATTEST:

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Secretary